

**ALPINE CITY, UTAH
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORTS
YEAR ENDED JUNE 30, 2005**

ALPINE CITY

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ALPINE CITY

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INDEPENDENT AUDITOR'S REPORT

September 7, 2005

**Honorable Mayor
Members of the City Council
Alpine City, Utah**

Council Members:

I have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements, of Alpine City, Utah (City) as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the City's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated September 7, 2005 on my consideration of Alpine City, Utah's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Management's discussion and analysis and the budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Alpine City's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

 CPA
Greg Ogden,
Certified Public Accountant

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This document is a narrative overview and analysis of the financial activities of Alpine City for the fiscal year ending June 30, 2005. Alpine City management encourages readers to consider the information presented here in conjunction with the financial statements which follow this section. To help the reader with navigation of this report the city's activities are classified in the following manner: government activities refers to general administration, parks, streets, planning etc, while business-type activities refers to operations such as the sewer, water, and pressurized irrigation.

FINANCIAL HIGHLIGHTS

- The total net assets of Alpine City increased by \$2,301,612 totaling \$49,633,919. The governmental net assets increased by \$1,256,918 and the business-type net assets increased by \$1,044,694.
- The total net assets of governmental and business-type activities is \$49,633,919, and is made up of \$38,569,335 in capital assets, such as land, infrastructure and equipment, and \$11,064,584 in other net assets. The \$11,064,584 in other net assets is made up of \$1,247,500 which is restricted for capital projects such as the purchase of park land; \$767,279 is restricted for debt service primarily for the pressurized irrigation bond. Finally, the remaining \$9,049,805 is unrestricted assets.
- Total long-term liabilities of the City decreased by \$399,733. The long term debt for government activities decreased by \$4,467. The business-type activities long term debt decreased by \$395,266; \$390,000 was a payment on the pressurized irrigation bond.
- The landscaping on the roundabout was completed this fiscal year, at a cost of \$29,843 which was \$5,157 under budget.

REPORTING THE CITY AS A WHOLE

This discussion and analysis is intended to serve as an introduction to Alpine City's basic financial statements. Alpine City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of Alpine City's finances, in a manner similar to a private-sector business.

- *The statement of net assets* presents information on all of Alpine City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Alpine City is improving or deteriorating. However, you will also need to consider other nonfinancial factors.

- *The statement of activities* presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Both of the government-wide financial statements distinguish functions of Alpine City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government-wide financial statements can be found on pages 13-15 of this report.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Alpine City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds** - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The only major governmental funds (as determined by generally accepted accounting principles) are the General Fund, Capital Projects Fund, and Impact Fees Fund. The balances of the governmental funds are determined to be nonmajor and are included in the combining statements within this report.

- **Proprietary funds** - Alpine City maintains one type of proprietary fund, the enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Alpine City uses enterprise funds to account for its Pressurized Irrigation Utility, Culinary Water Utility, Sewer Utility, and Storm Drain Utility. As determined by generally accepted accounting principles, the pressurized irrigation, culinary water and sewer enterprise funds meet the criteria for major fund classification. The other enterprise funds are classified as nonmajor and are included in the combining statements within this report.

- **Fiduciary funds** - These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting method used for these funds is much like that used for proprietary funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Alpine City, assets exceed liabilities by \$49,633,919.

By far the largest portion of Alpine City's net assets (77.7%) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

STATEMENT OF NET ASSETS (In thousands of dollars)

	Governmental Activities		Business-type Activities	
	<u>2004-2005</u>	<u>2003-2004</u>	<u>2004-2005</u>	<u>2003-2004</u>
Current and Other Assets	\$ 4,184	\$ 3,680	\$ 6,805	\$ 6,901
Capital Assets	25,550	24,650	21,680	21,021
Total Assets	<u>29,734</u>	<u>28,330</u>	<u>28,485</u>	<u>27,922</u>
 Long-term Debt Outstanding	 595	 460	 263	 360
Other Liabilities	223	211	7,504	7,888
Total Liabilities	<u>818</u>	<u>671</u>	<u>7,767</u>	<u>8,248</u>
 Net Assets:				
Invested in Capital Assets, Net of Debt	25,064	23,078	13,505	12,336
Restricted	252	1,370	1,763	1,728
Unrestricted	3,600	3,211	5,450	5,610
Total Net Assets	<u>\$ 28,916</u>	<u>\$ 27,659</u>	<u>\$ 20,718</u>	<u>\$ 19,674</u>

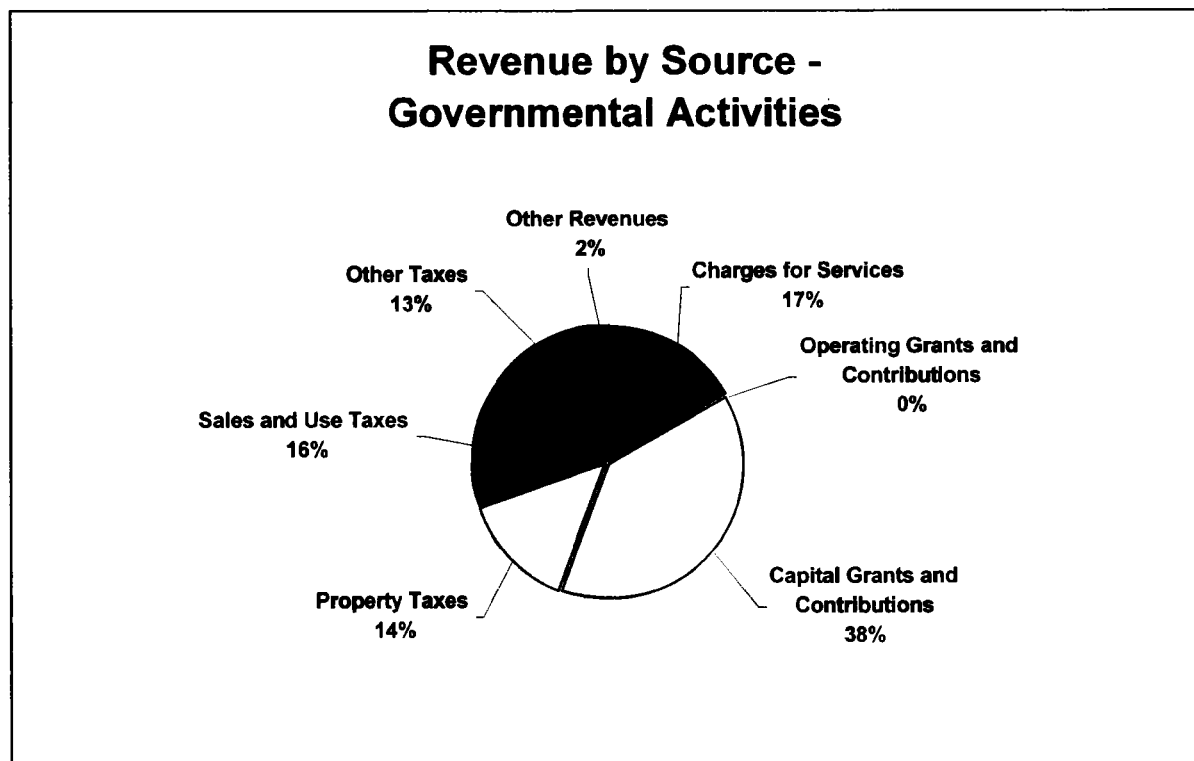
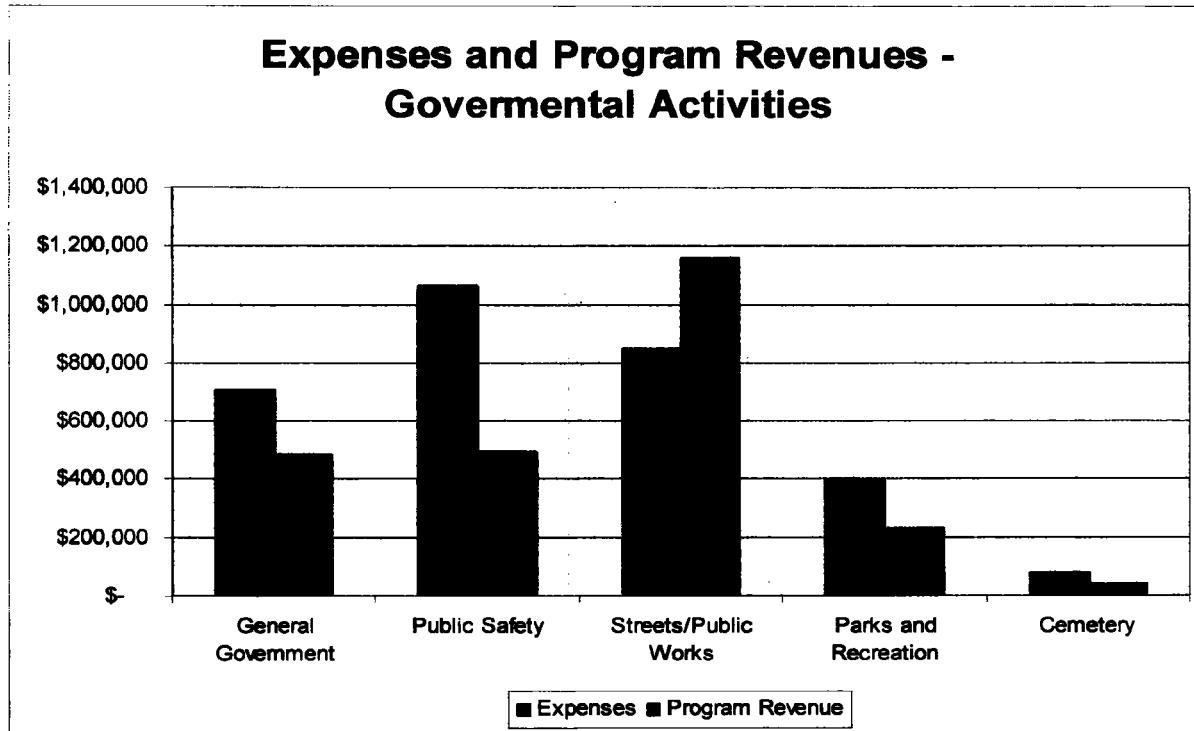
CHANGES IN NET ASSETS
(In thousands of dollars)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2004-2005</u>	<u>2003-2004</u>	<u>2004-2005</u>	<u>2003-2004</u>
Revenues				
Program Revenues				
Charges for Services	\$ 732	\$ 820	\$ 1,940	\$ 1,789
Operating Grants and Contributions	3	2	-	-
Capital Grants and Contributions	1,667	1,921	1,112	920
General Revenues				
Property Taxes	611	600	-	-
Sales and Use Taxes	674	629	-	-
Other Taxes	554	432	-	-
Other Revenues	93	82	174	116
Total Revenues	<u>4,334</u>	<u>4,486</u>	<u>3,226</u>	<u>2,825</u>
Expenses				
General Government	704	599	-	-
Public Safety	1,062	948	-	-
Streets/Public Works	850	742	-	-
Parks and Recreation	394	231	-	-
Cemetery	77	62	-	-
Interest	1	-	-	-
Water	-	-	484	524
Sewer	-	-	548	552
Pressurized Irrigation	-	-	754	803
Garbage	-	-	299	258
Storm Drain	-	-	85	65
Total Expenses	<u>3,088</u>	<u>2,582</u>	<u>2,170</u>	<u>2,202</u>
Increase in Net Assets Before Transfers	1,246	1,904	1,056	623
Transfers	11	(364)	(11)	364
Change in Net Assets	<u>1,257</u>	<u>1,540</u>	<u>1,045</u>	<u>987</u>
Net Assets Beginning (7/01/02)	27,659	26,119	19,674	17,905
Prior Period Adjustments	-	-	-	782
Net Assets Ending (6/30/03)	<u>\$ 28,916</u>	<u>\$ 27,659</u>	<u>\$ 20,719</u>	<u>\$ 19,674</u>

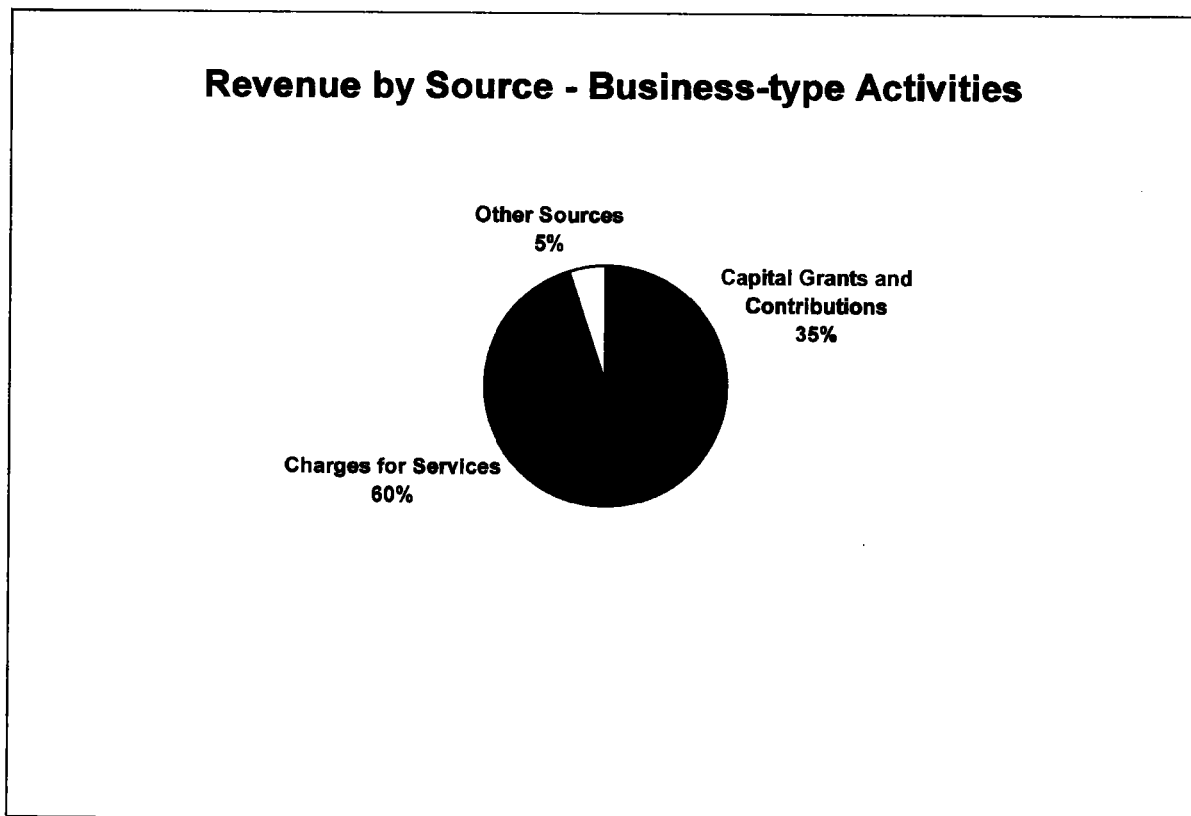
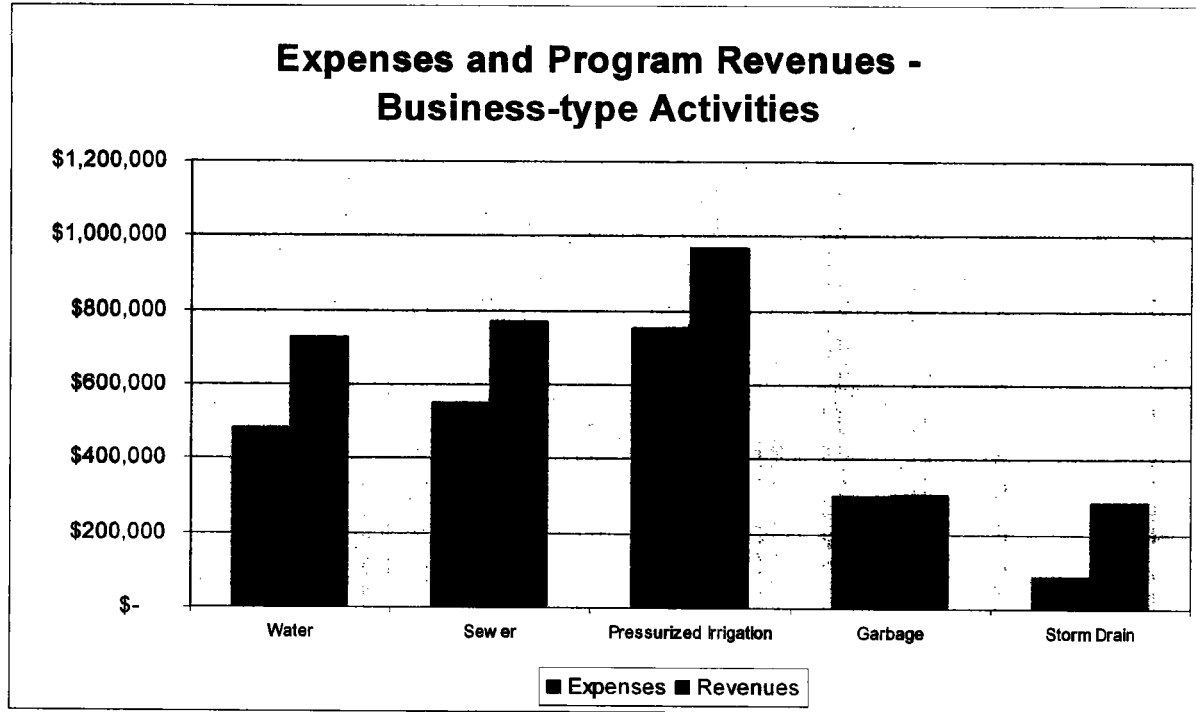
Some of the governmental activities for the fiscal year included the completion of construction on the Preston and Willow Canyon debris basin as a cost of \$353,260.34. The roundabout, at the intersection of Canyon Crest and Alpine Highway, was landscaped for \$29,843. 1,000 additional seats were installed at the Rodeo Grounds at a cost of \$25,000. Finally, the preliminary design of Westfield Road was completed at a cost of \$12,999.

The major Business-type activities expenditures were used for the completion of Healey Well \$42,580, new storm drain system on Hog Hollow and Blue Spruce Roads \$14,451, sewer line improvements to the Healey Development \$17,073, and the extension of the pressurized irrigation to Red Pine Drive \$5,870.

The following graphs display the government-wide activities as reflected in the above tables. Program revenues included in the first graph are fees charged for specific services performed by the various governmental functions. General revenues such as property taxes, sales and uses taxes, etc. are not included.



As can be seen from the following charts, the majority of revenues in the business-type activities are in charges for services, with 63 % of the revenues coming from this source. The revenues from capital grants and contributions represent the value of infrastructure systems donated to the City via subdivisions being developed.



FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. As of the June 30, 2005, the City's governmental funds (General, Capital Projects and Debt Service) reported combined fund equity of \$3,468,002. The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

Taxes continue to be the largest source of revenue in the General Fund and represent 64.3% of total general fund revenues. The two largest elements of taxes are sales and use taxes and property tax, as it has been for the last several years.

As stated earlier, the City maintains several enterprise funds to account for the business-type activities of the City. The separate fund statements included in this report provide the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide much more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the General Fund original budget was amended to add \$724,125. The Treasurer received \$2,000 more because the cost of implementing GASB 34 requirements. \$12,090 was added to the street's snow plowing budget because we had a heavier winter than expected. \$635,810 was transferred to the Capital Improvement Fund to help fund future projects. Minor changes were made to other departments.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets - Alpine City's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounts to \$45,981,912 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, infrastructure (streets, sidewalks, curb and gutter, bridges, etc.), and machinery and equipment. The total increase in the City's investment in fixed assets for the current year was \$2,638,980.

Major capital asset events during the current fiscal year included the following:

- The large majority of the city's capital assets this year came from developer donations. For example, Alpine Commons Park was donated this year along with curb, gutter, streets, and sidewalks. Below is a list of major developments (3 lots or more) recorded this year: Paradise Cove Senior Housing, Wayne Court, Paskett Court, Whispering Pines, Alpine Commons, Whitby Woodlands A, B & C and Moon Subdivision.
- The following annexations were approved: Dry Creek Ranch and Kiefer

- Design and construction on the downtown curb, gutter and sidewalk project was completed at a cost of \$1,649,925.25.
- Bleachers were added to the rodeo grounds which provide additional seating for 1000 people for \$25,000.
- Awarded bids for the Alpine Drive Storm Drain Improvements in the amount of \$322,816.
- Implementing an electronic utility billing system at a cost of \$14,090.
- Construction of Main Street Bridge \$34,421.
- Awarded bids for street overlays (Main Street and Grove Drive) at a cost of \$199,348.
- Purchase of a new Pickup truck for \$19,840 for the parks department.
- Purchase of a new lawn mower for \$60,950 which allows the City to improve its turf maintenance system.
- Updated the Sewer Master Plan at a cost of \$10,000.
- Updated the Street Master Plan at a cost of \$12,685.
- Completed landscaping on the Carlisle Well Site with the work accomplished by the City public works department.

ALPINE CITY'S CAPITAL ASSETS
(Net of Depreciation, in thousands of dollars)

	Governmental Activities		Business-type Activities	
	<u>2004-2005</u>	<u>2003-2004</u>	<u>2004-2005</u>	<u>2003-2004</u>
Capital Assets Not Being Depreciated				
Land	\$ 12,605	\$ 12,605	\$ 392	\$ 392
Water Shares	-	-	31	31
Capital Assets Being Depreciated				
Buildings and Structures	1,397	1,397	215	215
Improvements and Infrastructure	18,103	15,533	24,073	22,903
Machinery, Equipment, and Vehicles	453	372	320	311
Total	32,558	29,907	25,031	23,852
Less Accumulated Depreciation	(7,489)	(6,820)	(4,118)	(3,597)
Total Capital Assets	\$ 25,069	\$ 23,087	\$ 20,913	\$ 20,255

Additional information on the City's capital assets can be found in the footnotes to this financial report.

Long-term debt - At June 30, 2005, the City had total debt outstanding of \$7,727,766. The majority of Alpine City's long term debt, \$7,600,000, is debt secured solely by specific revenue sources (i.e., revenue bonds within the Water and Pressurized Irrigation Funds). The city also has truck leases for \$10,306. The remainder of the long term debt comes from compensated absences.

ALPINE CITY'S OUTSTANDING DEBT
(In thousands of dollars)

	Governmental Activities		Business-type Activities	
	<u>2004-2005</u>	<u>2003-2004</u>	<u>2004-2005</u>	<u>2004-2003</u>
Revenue Bonds	\$ -	\$ -	\$ 7,600	\$ 7,990
Capital Leases	5	9	6	11
Compensated Absences	219	202	36	31
Total	<u>\$ 224</u>	<u>\$ 211</u>	<u>\$ 7,642</u>	<u>\$ 8,032</u>

Additional information on the outstanding debt obligations of the City can be found in the footnotes to this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The unemployment rate for Utah County (of which Alpine City is a part of) was 3.9 % compared with a state unemployment rate of 4.7% and a national rate of 5.0%. Utah County's rate in 2004 was 3.9%. (Source: Utah Department of Workforce Services)
- The major projects budgeted for next year include the improvement of Westfield Road which consist of improving sidewalk, curb, gutter, and streets. The budget also includes reconstruction of the Legacy Park Gazebo, playground equipment at Smooth Canyon and South Pointe, construction of restrooms at City Park and Smooth Canyon Park, and instillation of curb and gutter on north Main Street. The City Council also voted to keep the property tax at the rate of 0.001298.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Alpine City's finances for all those with an interest in the City's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to:

City Administrator,
20 N Main St
Alpine, UT 84004

BASIC FINANCIAL STATEMENTS

ALPINE CITY

STATEMENT OF NET ASSETS

JUNE 30, 2005

	Governmental Activities	Business-type Activities	Totals
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 3,524,963	\$ 6,629,945	\$ 10,154,908
Accounts Receivable	659,436	175,419	834,855
TOTAL CURRENT ASSETS	4,184,399	6,805,364	10,989,763
NONCURRENT ASSETS			
Restricted Assets			
Cash and Cash Equivalents	480,625	767,279	1,247,904
Capital Assets			
Non Depreciable	12,604,562	422,805	13,027,367
Depreciable Assets (net of Depreciation)	12,464,284	20,490,261	32,954,545
TOTAL NONCURRENT ASSETS	25,549,471	21,680,345	47,229,816
TOTAL ASSETS	29,733,870	28,485,709	58,219,579
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable and Accrued Expenses	594,749	218,354	813,103
Contingent Liability	-	44,791	44,791
TOTAL CURRENT LIABILITIES	594,749	263,145	857,894
NONCURRENT LIABILITIES			
Due Within One Year	34,937	446,447	481,384
Due in more than One Year	188,570	7,057,812	7,246,382
TOTAL NONCURRENT LIABILITIES	223,507	7,504,259	7,727,766
TOTAL LIABILITIES	818,256	7,767,404	8,585,660
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	25,064,379	13,504,956	38,569,335
Restricted for			
Capital Projects	251,589	995,911	1,247,500
Debt Service	-	767,279	767,279
Unrestricted	3,599,646	5,450,159	9,049,805
TOTAL NET ASSETS	\$ 28,915,614	\$ 20,718,305	\$ 49,633,919

See the accompanying notes to the financial statements

ALPINE CITY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2005

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government	\$ 704,339	\$ 176,135	\$ -	\$ 307,092
Public Safety	1,062,414	491,490	2,804	-
Streets	849,535	-	-	1,158,003
Parks and Recreation	394,214	27,263	-	201,925
Cemetery	77,580	37,300	-	-
Interest on Long-Term Debt	911	-	-	-
Total Governmental Activities	3,088,993	732,188	2,804	1,667,020
Business-type Activities				
Water	483,768	487,282	-	238,454
Sewer	547,748	441,371	-	327,388
Pressurized Irrigation	753,978	624,204	-	343,609
Garbage	299,554	305,424	-	-
Storm Drain	85,696	81,615	-	202,652
Total Business-type Activities	2,170,744	1,939,896	-	1,112,103
TOTAL PRIMARY GOVERNMENT	\$ 5,259,737	\$ 2,672,084	\$ 2,804	\$ 2,779,123

General Revenues

Property Taxes

Vehicle Taxes

Sales Taxes

Franchise Taxes

Unrestricted Investment Earnings

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

See the accompanying notes to the financial statements

Net (Expense) Revenue and Changes in Net Assets**Primary Government**

Governmental Activities	Business-type Activities	Total
\$ (221,112)	-	\$ (221,112)
(568,120)	-	(568,120)
308,468	-	308,468
(165,026)	-	(165,026)
(40,280)	-	(40,280)
(911)	-	(911)
<u>(686,981)</u>	<u>-</u>	<u>(686,981)</u>
-	241,968	241,968
-	221,011	221,011
-	213,835	213,835
-	5,870	5,870
<u>-</u>	<u>198,571</u>	<u>198,571</u>
<u>-</u>	<u>881,255</u>	<u>881,255</u>
<u>(686,981)</u>	<u>881,255</u>	<u>194,274</u>
610,978	-	610,978
81,540	-	81,540
674,049	-	674,049
472,952	-	472,952
90,327	174,439	264,766
3,053	-	3,053
11,000	(11,000)	-
<u>1,943,899</u>	<u>163,439</u>	<u>2,107,338</u>
1,256,918	1,044,694	2,301,612
<u>27,658,696</u>	<u>19,673,611</u>	<u>47,332,307</u>
<u>\$ 28,915,614</u>	<u>\$ 20,718,305</u>	<u>\$ 49,633,919</u>

ALPINE CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	Governmental-type Activities				
	Capital Projects			Nonmajor	Total
	General	Capital Projects	Impact Fees	Governmental Funds	Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 454,838	\$ 2,100,109	\$ 560,126	\$ 409,890	\$ 3,524,963
Accounts Receivable	58,628	-	-	-	58,628
Property Taxes Receivable	584,878	-	-	-	584,878
Franchise Taxes Receivable	15,930	-	-	-	15,930
Restricted Cash	480,625	-	-	-	480,625

See the accompanying notes to the financial statements

ALPINE CITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

TOTAL GOVERNMENTAL FUNDS BALANCES **\$ 3,468,002**

Amounts reported for governmental activities in the statement of net assets are different because

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. **25,068,846**

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. **572,066**

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. **(193,300)**

TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 28,915,614**

ALPINE CITY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Governmental-type Activities				Total
	General	Capital Projects	Impact Fees	Nonmajor Governmental Funds	Governmental Funds
REVENUES					
Taxes	\$ 1,816,180	\$ -	\$ -	\$ -	\$ 1,816,180
Licenses and Permits	486,320	-	-	-	486,320
Intergovernmental	263,577	-	-	-	263,577
Charges for Services	165,933	-	583,199	21,150	770,282
Fines and Forfeitures	58,785	-	-	-	58,785
Interest	31,241	38,752	10,959	9,375	90,327
Miscellaneous	1,431	-	-	1,622	3,053
TOTAL REVENUES	2,823,467	38,752	594,158	32,147	3,488,524
EXPENDITURES					
General Government	325,200	-	334,372	-	659,572
Public Safety	1,066,881	-	-	-	1,066,881
Streets	273,657	-	-	-	273,657
Parks and Recreation	221,293	106,008	10,589	-	337,890
Cemetery	65,558	-	-	2,756	68,314
Capital Outlay	1,328,187	515,266	8,145	-	1,851,598
Debt Service	-	911	-	-	911
Interest and Finance Charges	-	911	-	-	911
TOTAL EXPENDITURES	3,280,776	622,185	353,106	2,756	4,258,823
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(457,309)	(583,433)	241,052	29,391	(770,299)
OTHER FINANCING SOURCES (USES)					
Developer Contributions	-	24,401	-	-	24,401
Transfers from Other Funds	11,000	635,810	-	-	646,810
Transfers to Other Funds	(635,810)	-	-	-	(635,810)
TOTAL OTHER FINANCING SOURCES (USES)	(624,810)	660,211	-	-	35,401
EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES	(1,082,119)	76,778	241,052	29,391	(734,898)
BEGINNING FUND BALANCE	1,835,716	1,667,611	319,074	380,499	4,202,900
ENDING FUND BALANCE	\$ 753,597	\$ 1,744,389	\$ 560,126	\$ 409,890	\$ 3,468,002

See the accompanying notes to the financial statements

ALPINE CITY

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2005

EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES - TOTAL GOVERNMENTAL FUNDS	\$ (734,898)
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*Amounts reported for governmental activities in the statement of activities
are different because*

Property taxes will not be collected for several months after the City's fiscal year end. They are not considered to be available revenues in the governmental funds. Deferred property tax revenues increased by this amount this year.	23,339
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Governmental funds report capital outlays as expenditures. In the statement of activities the cost of those assets is allocated over their estimated useful as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,981,389
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Issuance of long-term debt provides current financial resources to governmetal funds. The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This amount is the net difference in the treatment of long-term debt and related items.	4,467
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Some revenues and expenses reported in the statement of activities do not add to or require the use of current financial resources and, therefore, are not reported as revenues or expenditures in the governmental funds.	<u>(17,379)</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL FUNDS	<u>\$ 1,256,918</u>
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ALPINE CITY

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Taxes	\$ 1,426,135	\$ 1,741,800	\$ 1,816,180	\$ 74,380
Licenses and Permits	305,800	469,950	486,320	16,370
Intergovernmental	248,400	248,400	263,577	15,177
Charges for Services	146,650	148,150	165,933	17,783
Fines and Forfeitures	49,700	58,785	58,785	-
Interest	20,070	26,570	31,241	4,671
Miscellaneous	-	1,340	1,431	91
 TOTAL REVENUES	 <u>2,196,755</u>	 <u>2,694,995</u>	 <u>2,823,467</u>	 <u>128,472</u>
 <u>EXPENDITURES</u>				
General Government	362,215	366,315	325,200	41,115
Public Safety	1,082,055	1,120,055	1,066,881	53,174
Streets	290,545	326,760	273,657	53,103
Parks and Recreation	259,815	259,815	221,293	38,522
Cemetery	59,625	69,625	65,558	4,067
Capital Outlay	1,448,000	1,448,000	1,328,187	119,813
Debt Service				
Interest and Finance Charges	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
 TOTAL EXPENDITURES	 <u>3,512,255</u>	 <u>3,600,570</u>	 <u>3,280,776</u>	 <u>319,794</u>
 EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES				
	<u>(1,315,500)</u>	<u>(905,575)</u>	<u>(457,309)</u>	<u>448,266</u>
 <u>OTHER FINANCING SOURCES (USES)</u>				
Transfers from Other Funds	11,000	11,000	11,000	-
Transfers to Other Funds	<u>-</u>	<u>(635,810)</u>	<u>(635,810)</u>	<u>-</u>
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>11,000</u>	 <u>(624,810)</u>	 <u>(624,810)</u>	 <u>-</u>
 EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND USES				
	<u>(1,304,500)</u>	<u>(1,530,385)</u>	<u>(1,082,119)</u>	<u>448,266</u>
FUND BALANCE ALLOCATION	<u>1,304,500</u>	<u>1,530,385</u>	<u>-</u>	<u>(1,530,385)</u>
 EXCESS (DEFICIT) OF RESOURCES OVER CHARGES TO APPROPRIATIONS				
	\$ -	\$ -	\$ (1,082,119)	\$ (1,082,119)

See the accompanying notes to the financial statements

ALPINE CITY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

	Business-type Activities - Enterprise Funds				
	Water	Sewer	Pressurized Irrigation	Nonmajor Enterprise Funds	Total Enterprise Funds
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 2,083,280	\$ 1,297,942	\$ 3,036,428	\$ 212,295	6,629,945
Accounts Receivable, Net of Allowance for Uncollectibles	22,172	48,463	62,240	42,544	175,419
TOTAL CURRENT ASSETS	2,105,452	1,346,405	3,098,668	254,839	6,805,364
NONCURRENT ASSETS					
Restricted Assets					
Cash and Cash Equivalents	-	-	767,279	-	767,279
Capital Assets					
Water Shares	30,900	-	-	-	30,900
Land	219,000	8,000	-	164,905	391,905
Buildings and Structures	169,103	45,971	-	-	215,074
Improvements	9,520,240	4,163,460	8,749,497	1,639,339	24,072,536
Machinery, Equipment and Vehicles	179,796	101,265	39,421	-	320,482
Less Accumulated Depreciation	(2,051,943)	(1,224,285)	(695,784)	(145,819)	(4,117,831)
TOTAL NONCURRENT ASSETS	8,067,096	3,094,411	8,860,413	1,658,425	21,680,345
TOTAL ASSETS	10,172,548	4,440,816	11,959,081	1,913,264	28,485,709
LIABILITIES					
CURRENT LIABILITIES					
Customer Deposits Payable	10,500	-	-	-	10,500
Compensated Absences	12,942	11,069	9,163	2,697	35,871
Accrued Interest Payable	500	-	59,778	-	60,278
Contingent Liability	44,791	-	-	-	44,791
Annexation Reserve	147,576	-	-	-	147,576
Current Portion of Long-Term Debt	160,000	-	245,000	-	405,000
TOTAL CURRENT LIABILITIES	376,309	11,069	313,941	2,697	704,016
NONCURRENT LIABILITIES					
Leases Payable	5,576	-	-	-	5,576
Bonds Payable	-	-	7,057,812	-	7,057,812
TOTAL NONCURRENT LIABILITIES	5,576	-	7,057,812	-	7,063,388
TOTAL LIABILITIES	381,885	11,069	7,371,753	2,697	7,767,404
NET ASSETS					
Investment in Capital Assets, Net of Related Debt	7,901,020	3,094,411	730,544	1,658,425	13,384,400
Restricted					
Capital Projects	133,344	862,567	-	-	995,911
Debt Service	-	-	767,279	-	767,279
Unrestricted	1,756,299	472,769	3,089,505	252,142	5,570,715
TOTAL NET ASSETS	\$ 9,790,663	\$ 4,429,747	\$ 4,587,328	\$ 1,910,567	\$ 20,718,305

See the accompanying notes to the financial statements

ALPINE CITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2005

	Business-type Activities - Enterprise Funds				
	Water	Sewer	Pressurized Irrigation	Nonmajor Enterprise Funds	Total Enterprise Funds
OPERATING REVENUES					
Charges for Services	\$ 457,841	\$ 427,996	\$ 584,738	\$ 387,039	\$ 1,857,614
Connection Fees	16,490	13,375	38,896	-	68,761
Miscellaneous	12,951	-	570	-	13,521
TOTAL OPERATING REVENUES	487,282	441,371	624,204	387,039	1,939,896
OPERATING EXPENSES					
Salaries, Wages and Benefits	184,801	154,333	126,746	31,177	497,057
Operations	85,590	294,051	70,485	320,147	770,273
Depreciation	204,576	99,364	183,005	33,926	520,871
TOTAL OPERATING EXPENSES	474,967	547,748	380,236	385,250	1,788,201
OPERATING INCOME	12,315	(106,377)	243,968	1,789	151,695
NON-OPERATING REVENUES (EXPENSES)					
Impact Fees	28,399	93,096	235,597	60,228	417,320
Interest Income	55,748	30,440	82,022	6,229	174,439
Interest Expense	(8,801)	-	(373,742)	-	(382,543)
TOTAL NON-OPERATING REVENUES (EXPENSES)	75,346	123,536	(56,123)	66,457	209,216
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	87,661	17,159	187,845	68,246	360,911
Capital Contributions	210,055	234,292	108,012	142,424	694,783
Transfers to Other Funds	(6,000)	(3,500)	-	(1,500)	(11,000)
CHANGE IN NET ASSETS	291,716	247,951	295,857	209,170	1,044,694
TOTAL NET ASSETS AT BEGINNING OF YEAR	9,498,947	4,181,796	4,291,471	1,701,397	19,673,611
TOTAL NET ASSETS AT END OF YEAR	\$ 9,790,663	\$ 4,429,747	\$ 4,587,328	\$ 1,910,567	\$ 20,718,305

See the accompanying notes to the financial statements

ALPINE CITY

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

	Business-type Activities - Enterprise Funds				
	Water	Sewer	Pressurized Irrigation	Nonmajor Enterprise Funds	Total Enterprise Funds
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>					
Receipts from Customers	\$ 481,181	\$ 443,009	\$ 628,913	\$ 386,421	\$ 1,939,524
Payments to Suppliers	(86,622)	(294,051)	(71,904)	(320,147)	(772,724)
Payments to Employees	(183,956)	(154,565)	(124,207)	(29,920)	(492,648)
Payments for Litigation	(105,209)	-	-	-	(105,209)
NET CASH FLOWS FROM OPERATING ACTIVITIES	105,394	(5,607)	432,802	36,354	568,943
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>					
Transfers to Other Funds	(6,000)	(3,500)	-	(1,500)	(11,000)
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	(6,000)	(3,500)	-	(1,500)	(11,000)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>					
Impact Fees	28,399	93,096	235,597	60,228	417,320
Acquisition of Capital Assets	(224,183)	(19,072)	(5,870)	(234,553)	(483,678)
Debt Payments	(180,267)	-	(208,362)	-	(388,629)
Interest Expense	(8,801)	-	(373,742)	-	(382,543)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(384,852)	74,024	(352,377)	(174,325)	(837,530)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>					
Interest Income	55,748	30,440	82,022	6,229	174,439
NET CASH FLOWS FROM INVESTING ACTIVITIES	55,748	30,440	82,022	6,229	174,439
NET CHANGE IN CASH AND CASH EQUIVALENTS	(229,710)	95,357	162,447	(133,242)	(105,148)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,312,990	1,202,585	3,641,260	345,537	7,502,372
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 2,083,280	\$ 1,297,942	\$ 3,803,707	\$ 212,295	\$ 7,397,224

See the accompanying notes to the financial statements

ALPINE CITY
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Business-type Activities - Enterprise Funds				
	Water	Sewer	Pressurized Irrigation	Nonmajor Enterprise Funds	Total Enterprise Funds
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</u>					
Operating Income (Loss)	\$ 12,315	\$ (106,377)	\$ 243,968	\$ 1,789	\$ 151,695
Adjustments					
Depreciation	204,576	99,364	183,005	33,926	520,871
Changes in Assets and Liabilities					
Accounts Receivable, Net	(16,601)	1,638	4,709	(618)	(10,872)
Customer Deposits Payable	10,500	-	-	-	10,500
Compensated Absences	845	(232)	2,539	1,257	4,409
Accrued Interest Payable	(1,032)	-	(1,419)	-	(2,451)
Contingent Liability	(105,209)	-	-	-	(105,209)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 105,394</u>	<u>\$ (5,607)</u>	<u>\$ 432,802</u>	<u>\$ 36,354</u>	<u>\$ 568,943</u>

NONCASH TRANSACTIONS

Contributions of Capital Assets from Developers	<u>\$ 210,055</u>	<u>\$ 234,292</u>	<u>\$ 108,012</u>	<u>\$ 142,424</u>	<u>\$ 694,783</u>
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See the accompanying notes to the financial statements

ALPINE CITY, UTAH

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Alpine City, Utah (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of the City's accounting policies.

Financial Reporting Entity

Alpine City was incorporated in 1855 under the laws of the State of Utah. The City is a municipal corporation governed by an elected five-member Council and Mayor. The City provides municipal services under the following organizational structure:

General Government: Mayor and City Council, City Manager, Justice Court, Treasurer and Recorder

Public Safety: Police, Fire and Emergency Medical Services, (through Lone Peak Public Safety District), Building Inspection, Planning and Zoning

Public Works: Streets, Water, Sewer, Garbage, Pressurized Irrigation and Storm Drains

Parks and Recreation: Parks, Cemetery and Recreation

Government-wide and Fund Financial Statements

The government-wide financial statements (statement of net assets and statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include 1) charges to customers who directly benefit from goods or services provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTE 1 - (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Financial resources used to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of the related liability, rather than as an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter (within sixty days) to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes, use taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The *capital projects fund* accounts for the acquisition or construction of major capital facilities of the City (other than those financed by proprietary funds).

The *impact fees fund* accounts for the collection of governmental fund type impact fees and the related acquisition or construction of capital facilities in accordance with the City's capital facilities plans.

The City reports the following major proprietary funds:

The *water fund* accounts for the activities of the City's water production, treatment and distribution operations.

The *sewer fund* accounts for the activities of the City's sewer treatment operations.

The *pressurized irrigation fund* accounts for the activities of the City's pressurized irrigation distribution operations.

The *storm drain fund* accounts for the activities of the City's efforts to provide storm drains.

NOTE 1 - (CONTINUED)

Activities of these four funds include administration, operations and maintenance of the water, sewer, pressurized irrigation and storm drain systems, and billing and collection. The funds also account for the accumulation of resources for, and the payment of, long-term debt principal and interest for all enterprise fund debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted, if necessary, to ensure the integrity of the funds.

The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities and Fund Equity

A. Cash and cash equivalents

Cash includes cash on hand, demand deposits with banks and other financial institutions, and deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts. City policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the Utah Public Treasurer's Investment Fund (Fund) and other investments allowed by the State of Utah's Money Management Act. Investments are reported at fair value. The Fund operates in accordance with state laws and regulations. The reported value of the City's cash in the Fund is the same as the fair value of the Fund shares.

Cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Investments with maturities of three months or less, when purchased, meet this definition.

B. Restricted assets

Cash which is restricted to a particular use due to statutory, budgetary or bonding requirements is classified as "restricted cash" on the statement of net assets and on the balance sheets. Restricted cash would be spent first and then unrestricted resources would be used when the restricted funds are depleted.

C. Capital assets

Capital assets, which include land, buildings, improvements, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost, if purchased, and at fair market value at the date of the gift, if donated.

Major additions are capitalized, while maintenance and repairs which do not improve or extend the life of the respective assets are charged to expense.

NOTE 1 - (CONTINUED)

Capital asset depreciation is recognized using the straight-line method over the estimated useful lives as follows:

<u>Classification</u>	<u>Range of Lives</u>
Buildings and structures	20-50 years
Improvements and infrastructure	10-50 years
Machinery, equipment and vehicles	5-15 years

D. Compensated absences

Accumulated unpaid vacation is accrued as incurred based on the years of service for each employee. Vacation is accumulated on a monthly basis. Proprietary funds expense all accrued vacation amounts when incurred. Governmental funds report an expenditure as the vacation is paid. The accumulated sick leave is earned at a rate of one day per month. Sick pay amounts are charged to expenditures when incurred. Employees may accumulate up to 90 days of sick leave. Employees who retire are paid 25% of accumulated sick leave at retirement. The City will pay the cost of the employee's health insurance for one month for every two days of sick leave remaining after the cash payout.

E. Long-term liabilities

In the government-wide financial statements, and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are recorded net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and are amortized over the life of the related debt. In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

F. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Designations of unreserved fund balances are not required by law or accounting principles, but are further classifications of fund equity to identify funds which are earmarked by the City's management for specific purposes. These represent tentative management plans that are subject to change.

G. Net assets

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

NOTE 1 - (CONTINUED)

H. Restatement of Fund Balances/Net Assets

Contributed capital previously reported in the enterprise funds is no longer required with the implementation of GASB Statement No. 34 and has been reclassified as net assets.

Inter-Fund Transactions

During the course of normal operations, the City has transactions between funds to subsidize operations in certain funds, to allocate administrative costs, to construct assets, to distribute grant proceeds, etc. . These transactions are generally reflected as operating transfers, which are transfers from a fund authorized to receive certain revenues to the fund through which the resources are to be expended.

Deferred Revenue

Property taxes due November 30, 2005 and unpaid from 2004 are shown as deferred revenue.

Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital Asset Differences

When capital assets (land, buildings, improvements and equipment) are purchased or constructed for use in governmental fund activities, the costs of those assets are reported as expenditures in the governmental funds. However, those costs are reported as capital assets in the statement of net assets. The details of these differences are presented below:

Land	\$ 12,604,562
Buildings and Structures	1,397,548
Improvements and Infrastructure	18,102,618
Machinery, Equipment and Vehicles	452,804
Less Accumulated Depreciation	(7,488,686)
Net Capital Asset Difference	\$ <u>25,068,846</u>

NOTE 2 - (CONTINUED)

Other Long-Term Asset Differences

Property taxes due in November 2005 are reported as deferred revenues in the governmental fund balance sheet. However, they are reported as current year revenues in the statement of net assets. The details of these differences are presented below:

Property taxes collectible in November 2005	\$ <u>572,066</u>
---	-------------------

Long-Term Liability Differences

Long-Term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund balance sheet. All liabilities (both current and long-term) are reported in the statement of net assets. The details of these differences are presented below:

Capital Leases Payable	\$ (4,730)
Long-Term Compensated Absences	<u>(188,570)</u>
Total Long-Term Liability Difference	\$ <u>(193,300)</u>

Explanation of certain differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund financial statements include a reconciliation between changes in fund balances in the governmental funds and changes in net assets in the government-wide statement of activities. This difference primarily results from the long-term economic focus of the statement of activities versus the current financial resource focus of the governmental fund financial statements.

Capital Outlay and Depreciation Differences

Capital outlays are reported as expenditures in the statement of revenues, expenditures and changes in fund balances. They are reported as capital assets, with the costs allocated over the useful lives of the assets, as depreciation, in the statement of activities. The details of these differences are reported below:

Capital Outlay	\$ 2,650,245
Depreciation Expense	<u>(668,856)</u>
Net Difference	\$ <u>1,981,389</u>

Long-Term Debt Issuance and Repayment Differences

When long-term debt is issued it is reported as an other financing source. Repayments are reported as expenditures in the statement of revenues, expenditures and changes in fund balance. Issuance of debt is reported as a long-term liability and repayments are reported as reductions of those liabilities in the statement of activities. The details of these differences are reported below:

Principal Repayments	
Capital Leases	\$ <u>4,467</u>

Other Revenue and Expense Differences

The change in long-term compensated absences is not reported in the statement of revenues, expenditures and changes in fund balance. This change is reported in the statement of activities. The detail of this difference is reported below:

Change in Long-Term Compensated Absences	\$ <u>(17,379)</u>
--	--------------------

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Prior to the first regularly scheduled meeting of the City Council in May, the Mayor and the City Manager submit to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and proposed sources of revenues.

Between May 1 and June 22, the City Council reviews and adjusts the proposed budget. On or before June 22, a public hearing is held and the budget is legally adopted through passage of a resolution, unless a property tax increase is proposed. If a property tax increase is proposed, a hearing must be held on or before August 17, which does not conflict with other taxing entities that have proposed a property tax increase. At this time the final balanced budget is adopted.

Under Utah State law, the City's budget establishes maximum legal authorization for expenditures during the fiscal year. Expenditures are not to exceed the budgeted amounts, including revisions, except as allowed by the code for certain events.

The Mayor, in conjunction with the appropriate department head, has the authority to transfer budget appropriations within and between any divisions of any budgetary fund. The City Council has the authority to transfer budget appropriations between individual budgetary funds by resolution.

A public hearing must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets of proprietary fund types may be increased by resolution without an additional hearing.

Annual budgets for the general fund, all debt service funds and capital projects funds were legally adopted by the City and are prepared on the modified-accrual method of accounting.

Although Utah State law requires the initial preparation of budgets for all City funds (both governmental and proprietary), it only requires the reporting of comparisons of actual results to budgets for the general fund and any major special revenue funds.

Tax Revenues

Property taxes are collected by the County Treasurer and remitted to the City in two to three installments in November, December, and a final settlement in the first quarter of the calendar year. Taxes are levied and are due and payable on November 1st and are delinquent after November 30th of each year, at which time they become liens if not paid. An accrual of uncollected current and prior year's property taxes beyond that which was received within 60 days after the fiscal year end has not been made, as the amounts are not deemed to be material.

Sales taxes are collected by the Utah State Tax Commission and remitted to the City monthly. An accrual has been made for all taxes received by the State for the period ended June 30th and thus due and payable to the City.

Franchise taxes are charged to various utility companies doing business with the City including telephone, cable television, gas utility, and electric utility companies. The fees are remitted on a monthly, quarterly, or annual basis. An accrual has been made for all fees due and payable to the City at June 30th.

NOTE 4 - DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Cash includes amounts in demand deposits as well as time deposits. Investments are stated at cost or amortized cost, which approximates fair value. Each fund's portion of this pool is displayed on the combined balance sheet as "Pooled Cash and Cash Equivalents" which also includes cash accounts that are separately held by several of the City's funds. Deposits are not collateralized nor are they required to be by State statute.

The City follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) in handling its depository and temporary investment transactions. The Act requires the depositing of City funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

At June 30, 2005, the carrying amount and the bank balance of the City's bank deposits was \$74,832 and \$238,231, respectively. These deposits were entirely covered by federal depository insurance.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the Town and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers acceptances; obligations of the United State Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund (PTIF),

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses - net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

NOTE 4 - (CONTINUED)

Certain assets are restricted by provisions of the revenue bond resolutions. The resolutions also describe how these restricted assets may be deposited and invested. Restricted cash may only be deposited in state or national banks meeting certain minimum net worth requirements or invested in securities representing direct obligations of or obligations guaranteed by the U.S. government, agencies of the U.S. government, any state within the territorial United States of America; or repurchase agreements or interest bearing time deposits with state or national banks meeting certain minimum net worth requirements; or certain other investments.

As of June 30, 2005, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
State of Utah Public Treasurer's Investment Fund	\$ 10,558,775	\$10,558,775	\$ -	\$ -	\$ -
U.S. Treasuries	<u>767,278</u>	-	-	-	<u>767,278</u>
Total Investments	<u>\$ 11,326,053</u>	<u>\$10,558,775</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 767,278</u>

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. As of June 30, 2005, the City had \$767,278 in U.S. Treasury accounts which were held by the counterparty's trust department or agent but not in the government's name.

The deposits and investments described above are included on the statement of net assets as per the following reconciliation:

Deposits	\$ 74,832
Investments	11,326,053
Cash on Hand	<u>1,927</u>
Total	<u>\$ 11,402,812</u>
Cash and Cash Equivalents	\$ 10,154,908
Restricted Cash and Cash Equivalents	<u>1,247,904</u>
Total	<u>\$ 11,402,812</u>

NOTE 5 - RECEIVABLES

Accounts receivable and the associated allowances for uncollectible accounts at June 30, 2005 are presented in the schedule below.

Property taxes are levied on January 1 of 2005, are due in November of 2005, and are budgeted for the 2005 fiscal year. Even though they are not intended to fund the 2005 fiscal year, they must be recognized as an asset because the City has an enforceable claim to the revenue. The property taxes that have been remitted to the City within 60 days of the end of the current fiscal period have been recognized as revenue. The uncollected, measurable amounts have been accrued as deferred revenue.

Franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other items are considered to be measurable and available only when cash is received by the City.

The following is a summary of receivables at June 30, 2005:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts Receivable	\$ 58,628	\$ 175,419	\$ 234,047
Property Taxes Receivable	584,878	-	584,878
Franchise Taxes	<u>15,930</u>	<u>-</u>	<u>15,930</u>
Total	<u>\$ 659,436</u>	<u>\$ 175,419</u>	<u>\$ 834,855</u>

NOTE 6 - CAPITAL ASSETS

The following schedule presents the capital activity of the governmental activities for the year ended June 30, 2005.

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated				
Land	\$ 12,604,562	\$ -	\$ -	\$ 12,604,562
Capital Assets being Depreciated				
Buildings and Structures	1,397,548	-	-	1,397,548
Improvements and Infrastructure	15,532,959	2,569,659	-	18,102,618
Machinery, Equipment and Vehicles	<u>372,218</u>	<u>80,586</u>	<u>-</u>	<u>452,804</u>
Total	29,907,287	2,650,245	-	32,557,532
Less Accumulated Depreciation	<u>(6,819,830)</u>	<u>(668,856)</u>	<u>-</u>	<u>(7,488,686)</u>
Governmental Activities Capital Assets, Net	<u>\$ 23,087,457</u>	<u>\$ 1,981,389</u>	<u>\$ -</u>	<u>\$ 25,068,846</u>

NOTE 6 - (CONTINUED)

The following schedule presents the capital activity of the business-type activities for the year ended June 30, 2005.

Business-type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not being Depreciated				
Land	\$ 391,905	\$ -	\$ -	\$ 391,905
Water Shares	30,900	-	-	30,900
Capital Assets being Depreciated				
Buildings and Structures	215,074	-	-	215,074
Improvements and Infrastructure	22,903,458	1,169,078	-	24,072,536
Machinery, Equipment and Vehicles	<u>311,098</u>	<u>9,384</u>	<u>-</u>	<u>320,482</u>
Total	23,852,435	1,178,462	-	25,030,897
Less Accumulated Depreciation	<u>(3,596,960)</u>	<u>(520,871)</u>	<u>-</u>	<u>(4,117,831)</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 20,255,475</u>	<u>\$ 657,591</u>	<u>\$ -</u>	<u>\$ 20,913,066</u>

Depreciation was charged to the functions/programs of the primary government as follows:

Government Activities	
General Government	\$ 27,388
Streets	575,878
Parks and Recreation	56,324
Cemetery	<u>9,266</u>
Total Depreciation Expense-Governmental Activities	<u>\$ 668,856</u>
Business-type Activities	
Water	\$ 204,576
Sewer	99,364
Pressurized Irrigation	183,005
Storm Drain	<u>33,926</u>
Total Depreciation Expense-Business-type Activities	<u>\$ 520,871</u>

NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Governmental Activities	Business-type Activities
Accounts Payable	\$ 38,456	\$ -
Customer Deposits Payable	-	10,500
Accrued Interest Payable	-	60,278
Developer Completion Bonds Payable	200,573	-
Infrastructure Protection Bonds Payable	306,180	-
Open Space Bonds Payable	49,540	-
Annexation Reserve Payable	<u>-</u>	<u>147,576</u>
Total Accounts Payable and Accrued Liabilities	<u>\$ 594,749</u>	<u>\$ 218,354</u>

NOTE 7 - (CONTINUED)

The City collects deposits from those wishing to develop subdivisions within the City. The City also collects deposits from developers to ensure that the City's infrastructure is protected during construction. These amounts are deposited into the City's bank account. The original deposit and any interest earned on the accounts is returned to the developer after the related project is completed.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

The City is involved in various lawsuits arising in the normal course of business, including claims for property damage, personal injury and civil rights violations, and disputes over development fees. The policy of the City is to vigorously defend all claims against the City. The insurance company covers most costs to defend the City against claims. However, during the 2000 fiscal year, the City accrued contingent liabilities of \$210,000 to cover potential losses which may arise from the various lawsuits and claims and may not be fully covered by insurance. At June 30, 2005, \$44,791 remained on the books for potential losses.

NOTE 9 - CAPITAL LEASES

The City has entered into lease agreements, as the lessee, to finance the acquisition of equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. All City lease contracts contain a fiscal non-funding clause, which gives the City Council the option of terminating the contract at the end of any fiscal year during the contract. In the opinion of City management, the likelihood of this clause being exercised is remote.

The following is a schedule of yearly future lease payments for the capital leases together with the present value of the net minimum lease payments as of June 30, 2005:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Total Minimum Lease Payments - 2005	\$ 5,009	\$ 5,906
Interest Portion	<u>(279)</u>	<u>(330)</u>
Present Value of Net Minimum Lease Payments	\$ <u>4,730</u>	\$ <u>5,576</u>

NOTE 10 - LONG-TERM DEBT

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2005:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u>					
Capital Leases					
2000 GMC ½ Ton Pickup	\$ 9,197	\$ -	\$ (4,467)	\$ 4,730	\$ 4,730
Compensated Absences	<u>201,420</u>	<u>17,357</u>	<u>-</u>	<u>218,777</u>	<u>30,207</u>
	<u>\$ 210,617</u>	<u>\$ 17,357</u>	<u>\$ (4,467)</u>	<u>\$ 223,507</u>	<u>\$ 34,937</u>
<u>Business-type Activities</u>					
Revenue Bonds					
2001 Water	\$ 7,990,000	\$ -	\$ (390,000)	\$ 7,600,000	\$ 405,000
Capital Leases					
2000 GMC Extended Cab	10,842	-	(5,266)	5,576	5,576
Compensated Absences	<u>31,462</u>	<u>4,409</u>	<u>-</u>	<u>35,871</u>	<u>35,871</u>
	<u>\$ 8,032,304</u>	<u>\$ 4,409</u>	<u>\$ (395,266)</u>	<u>7,641,447</u>	<u>\$ 446,447</u>
Unamortized Bond Issuance Costs and Discounts				<u>(137,188)</u>	
				<u>\$ 7,504,259</u>	

Long-term debt and obligations payable at June 30, 2005 were as follows:

	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Current Portion</u>	<u>Long-term Balance</u>
<u>Governmental Activities</u>				
Capital Leases Payable				
2000 GMC ½ Ton Pickup (original amount--\$21,100)	5.90%	2006	\$ 4,730	\$ -
Compensated Absences			<u>30,207</u>	<u>188,570</u>
Total Governmental Activities Long-term Debt			<u>\$ 34,937</u>	<u>\$ 188,570</u>
<u>Business-type Activities</u>				
Bonds Payable				
Water Revenue Bonds, Series 2001, Dated March 15, 2001, (original amount-- \$8,905,000)	3.20% to 5.25%	2026	\$ 405,000	\$ 7,195,000
Capital Leases Payable				
2000 GMC Extended Cab (original Amount--\$24,875)	5.90%	2006	5,576	-
Compensated Absences			35,871	-
Unamortized Bond Issuance Costs and Discounts			<u>-</u>	<u>(137,188)</u>
Total Business-type Activities Long-term Debt			<u>\$ 446,447</u>	<u>\$ 7,057,812</u>

NOTE 10 - (CONTINUED)

Principal and interest requirements to retire the City's long-term obligations are as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Government-Wide</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 4,730	\$ 279	\$ 410,576	\$ 361,995	\$ 415,306	\$ 362,274
2007	-	-	220,000	349,810	220,000	349,810
2008	-	-	230,000	340,948	230,000	340,948
2009	-	-	240,000	331,427	240,000	331,427
2010	-	-	250,000	320,257	250,000	320,257
2011-2015	-	-	1,445,000	1,403,328	1,445,000	1,403,328
2016-2020	-	-	1,860,000	984,034	1,860,000	984,034
2021-2025	-	-	2,395,000	450,590	2,395,000	450,590
2026	-	-	555,000	13,875	555,000	13,875
	<u>\$ 4,730</u>	<u>\$ 279</u>	<u>\$ 7,605,576</u>	<u>\$ 4,556,264</u>	<u>\$ 7,610,306</u>	<u>\$ 4,556,543</u>

NOTE 11 - RESERVED FUND EQUITY

The Class "C" Roads allotment from the state excise tax is reserved for construction and maintenance of City streets and roads. The City's bond covenants require certain reservations of retained earnings in the water and sewer funds. Utah State statute requires unexpended impact fees held at year-end to be reserved for future expansion in the charging department or fund. A perpetual trust fund is designed to provide future operating costs for the cemetery. Funds are collected at the time a lot is sold and a percentage of the fee is transferred to the trust fund. In addition, funds have been designated for various capital projects.

NOTE 12 - RETIREMENT PLANS

Plan Description

Alpine City contributes to the Local Governmental Noncontributory Retirement System cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). The Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement systems, 540 East 200 South Salt Lake City, Utah 84102-2099 or by calling 1-800-365-8772.

Funding Policy

In the Local Governmental Noncontributory Retirement System, Alpine City is required to contribute 11.09% of plan members' annual covered salary. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Alpine City's contributions to the Local Governmental Noncontributory Retirement System for the years ending June 30, 2005, 2004, and 2003 were \$64,136, \$49,800 and \$42,119 respectively. The contributions were equal to the required contributions for each year.

NOTE 13 - DEFERRED COMPENSATION PLANS

The City sponsors a defined contribution deferred compensation plan administered by Utah Retirement Systems under the Internal Revenue Code Section 401(k) for some City employees covered by the State's contributory retirement plans. The plan, available to all permanent full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The 401(k) deferred compensation monies are not available to the City or its general creditors. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested in the employee's account from the date of employment. The City participates at rates between 0% and 8.25% depending on the employee's contributions. The rate of City participation can be changed by the City Council. During the year ended June 30, 2005, contributions totaling \$25,866 were made to the plan by employees and \$20,052 by the City.

NOTE 14 - RISK MANAGEMENT

Alpine City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City joined together with other governments in the State of Utah to form the Utah Local Governments Trust (ULGT), a public entity risk pool currently operating as a common risk management and insurance program for Utah State governments. The City pays an annual premium to ULGT for its general insurance coverage.

The City also carries comprehensive general liability insurance coverage through a commercial insurance company. Settled claims from this risk type have not exceeded coverage in any of the past three fiscal years.

NOTE 15 - OPERATING TRANSFER RECONCILIATION

The operating transfers among the funds were as follows:

	In	Out
General Fund	\$ 11,000	\$ 635,810
Capital Improvements	635,810	-
Water	-	6,000
Sewer	-	3,500
Garbage	-	1,500
	<u>\$ 646,810</u>	<u>\$ 646,810</u>

SUPPLEMENTARY INFORMATION

ALPINE CITY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

	<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>ASSETS</u>		
Restricted Cash and Cash Equivalents	<u>\$ 409,890</u>	<u>\$ 409,890</u>
 TOTAL ASSETS	 <u>\$ 409,890</u>	 <u>\$ 409,890</u>
 <u>FUND EQUITY</u>		
<u>FUND BALANCE</u>		
Reserved for Endowments	<u>\$ 409,890</u>	<u>\$ 409,890</u>
 TOTAL FUND EQUITY	 <u>\$ 409,890</u>	 <u>\$ 409,890</u>

ALPINE CITY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2005

	Permanent Fund	Total Nonmajor Governmental Funds
<u>REVENUES</u>		
Charges for Services	\$ 21,150	\$ 21,150
Interest	9,375	9,375
Miscellaneous	<u>1,622</u>	<u>1,622</u>
 TOTAL REVENUES	 <u>32,147</u>	 <u>32,147</u>
 <u>EXPENDITURES</u>		
Cemetery	<u>2,756</u>	<u>2,756</u>
 TOTAL EXPENDITURES	 <u>2,756</u>	 <u>2,756</u>
 EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	 29,391	 29,391
 BEGINNING FUND BALANCE	 <u>380,499</u>	 <u>380,499</u>
 ENDING FUND BALANCE	 <u>\$ 409,890</u>	 <u>\$ 409,890</u>

ALPINE CITY

COMBINING STATEMENT OF NET ASSETS

NONMAJOR ENTERPRISE FUNDS

JUNE 30, 2005

	<u>Garbage</u>	<u>Storm Drain</u>	<u>Total Nonmajor Enterprise Funds</u>
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 28,998	\$ 183,297	\$ 212,295
Accounts Receivable, Net of Allowance for Uncollectibles	<u>34,146</u>	<u>8,398</u>	<u>42,544</u>
TOTAL CURRENT ASSETS	<u>63,144</u>	<u>191,695</u>	<u>254,839</u>
NONCURRENT ASSETS			
Capital Assets			
Land	-	164,905	164,905
Improvements	-	1,639,339	1,639,339
Less Accumulated Depreciation	<u>-</u>	<u>(145,819)</u>	<u>(145,819)</u>
TOTAL NONCURRENT ASSETS	<u>-</u>	<u>1,658,425</u>	<u>1,658,425</u>
TOTAL ASSETS	<u>63,144</u>	<u>1,850,120</u>	<u>1,913,264</u>
<u>LIABILITIES</u>			
Compensated Absences	<u>2,697</u>	<u>-</u>	<u>2,697</u>
TOTAL LIABILITIES	<u>2,697</u>	<u>-</u>	<u>2,697</u>
<u>NET ASSETS</u>			
Investment in Capital Assets, Net of Related Debt	-	1,658,425	1,658,425
Unrestricted	<u>60,447</u>	<u>191,695</u>	<u>252,142</u>
TOTAL NET ASSETS	<u>\$ 60,447</u>	<u>\$ 1,850,120</u>	<u>\$ 1,910,567</u>

ALPINE CITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS NONMAJOR ENTERPRISE FUNDS FOR THE YEAR ENDED JUNE 30, 2005

	<u>Garbage</u>	<u>Storm Drain</u>	<u>Total Nonmajor Enterprise Funds</u>
<u>OPERATING REVENUES</u>			
Charges for Services	<u>\$ 305,424</u>	<u>\$ 81,615</u>	<u>\$ 387,039</u>
 TOTAL OPERATING REVENUES	 <u>305,424</u>	 <u>81,615</u>	 <u>387,039</u>
 <u>OPERATING EXPENSES</u>			
Salaries, Wages and Benefits	31,177	-	31,177
Operations	268,377	51,770	320,147
Depreciation	<u>-</u>	<u>33,926</u>	<u>33,926</u>
 TOTAL OPERATING EXPENSES	 <u>299,554</u>	 <u>85,696</u>	 <u>385,250</u>
 OPERATING INCOME (LOSS)	 <u>5,870</u>	 <u>(4,081)</u>	 <u>1,789</u>
 <u>NON-OPERATING REVENUES (EXPENSES)</u>			
Impact Fees	-	60,228	60,228
Interest Income	<u>1,147</u>	<u>5,082</u>	<u>6,229</u>
 TOTAL NON-OPERATING REVENUES (EXPENSES)	 <u>1,147</u>	 <u>65,310</u>	 <u>66,457</u>
 INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	 7,017	 61,229	 68,246
Developer Capital Contributions	-	142,424	142,424
Transfers to Other Funds	<u>(1,500)</u>	<u>-</u>	<u>(1,500)</u>
 CHANGE IN NET ASSETS	 5,517	 203,653	 209,170
 TOTAL NET ASSETS AT BEGINNING OF YEAR	 <u>54,930</u>	 <u>1,646,467</u>	 <u>1,701,397</u>
 TOTAL NET ASSETS AT END OF YEAR	 <u>\$ 60,447</u>	 <u>\$ 1,850,120</u>	 <u>\$ 1,910,567</u>

ALPINE CITY

COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS FOR THE YEAR ENDED JUNE 30, 2005

	Garbage	Storm Drain	Total Nonmajor Enterprise Funds
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Receipts from Customers	\$ 304,341	\$ 82,080	\$ 386,421
Payments to Suppliers	(268,377)	(51,770)	(320,147)
Payments to Employees	(29,920)	-	(29,920)
NET CASH FLOWS FROM OPERATING ACTIVITIES	6,044	30,310	36,354
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>			
Transfers to Other Funds	(1,500)	-	(1,500)
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	(1,500)	-	(1,500)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Impact Fees	-	60,228	60,228
Acquisition of Capital Assets	-	(234,553)	(234,553)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	-	(174,325)	(174,325)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Interest Income	1,147	5,082	6,229
NET CASH FLOWS FROM INVESTING ACTIVITIES	1,147	5,082	6,229
NET CHANGE IN CASH AND CASH EQUIVALENTS	5,691	(138,933)	(133,242)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	23,307	322,230	345,537
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 28,998	\$ 183,297	\$ 212,295

ALPINE CITY

COMBINING STATEMENT OF CASH FLOWS (CONTINUED)

NONMAJOR ENTERPRISE FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

	<u>Garbage</u>	<u>Storm Drain</u>	<u>Total Nonmajor Enterprise Funds</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Operating Income (Loss)	\$ 5,870	\$ (4,081)	\$ 1,789
Adjustments			
Depreciation	-	33,926	33,926
Changes in Assets and Liabilities			
Accounts Receivable, Net	(1,083)	465	(618)
Compensated Absences	<u>1,257</u>	<u>-</u>	<u>1,257</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 6,044</u>	<u>\$ 30,310</u>	<u>\$ 36,354</u>

NONCASH TRANSACTIONS

Contributions of Capital Assets from
Developers

\$ -	\$ 142,424	\$ 142,424
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STATE COMPLIANCE REPORT

**GREG OGDEN, CPA
1761 EAST 850 SOUTH
SPRINGVILLE, UT 84663
(801)489-8408**

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON LEGAL COMPLIANCE

September 7, 2005

**The Honorable Mayor
Members of the City Council
Alpine City, Utah**

Council Members:

I have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information, which collectively comprise the basic financial statements of Alpine City, Utah, as of and for the year ended June 30, 2005 and have issued my report thereon dated September 7, 2005. As part of my audit, I have audited Alpine City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The City received the following major State assistance programs from the State of Utah:

**"C" Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)**

My audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Compliance Audit Guide, including:

**Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation and Property
Tax Limitations
Class C Road Funds**

**Special Districts
Other General Issues
Uniform Building Code Standards
Liquor Law Enforcement
Justice Court
Impact Fees
Asset Forfeiture**

The management of Alpine City is responsible for the City's compliance with all compliance requirements identified above. My responsibility is to express an opinion on compliance with those requirements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. I believe that my audit provides a reasonable basis for my opinion.

The results of my audit procedures disclosed one immaterial instance of noncompliance with the requirements referred to above which is described in the accompanying management letter. I considered this instance of noncompliance in forming my opinion on compliance, which is expressed in the following paragraph.

In my opinion, Alpine City, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

A handwritten signature in cursive script that reads "Greg Ogden CPA". The signature is written in dark ink and is positioned above the printed name and title.

Greg Ogden,
Certified Public Accountant

GOVERNMENT AUDITING STANDARDS REPORT

**GREG OGDEN, CPA
1761 EAST 850 SOUTH
SPRINGVILLE, UT 84663
(801)489-8408**

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

September 7, 2005

**Honorable Mayor
Members of the City Council
Alpine City, Utah**

Council Members:

I have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information which collectively comprise the basic financial statements of Alpine City, Utah and have issued my report thereon dated September 7, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, Issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Alpine City, Utah's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted one matter involving the internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the management letter under the internal controls heading.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe the reportable condition described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Alpine City, Utah's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the management letter under the compliance heading.

This report is intended solely for the information of the Audit Committee, the City's management, others within the organization, and the City Council and is not intended to be and should not be used by anyone other than these specified parties.

 CPA
Greg Ogden
Certified Public Accountant

ALPINE CITY, UTAH

MANAGEMENT LETTER
JUNE 30, 2005

**GREG OGDEN, CPA
1761 EAST 850 SOUTH
SPRINGVILLE, UT 84663
(801)489-8408**

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

September 7, 2005

**Honorable Mayor
Members of the City Council
Alpine City, UT**

Council Members:

The primary purpose of my audit of the basic financial statements of Alpine City, Utah for the year ended June 30, 2005, was to enable me to form an opinion as to the financial position of the City at that date and the results of its operations for the year then ended. Part of my continuing professional responsibility to my clients is to offer constructive suggestions relative to the City's internal control structure and other matters that come to my attention during my audit of your financial statements. Your internal control structure is extremely important because it is the principal safeguard against irregularities which an audit may not disclose.

Enclosed for your information and consideration are my comments and suggestions relating to internal accounting controls and other general matters which came to my attention during my audit of the financial statements. I have not performed any auditing procedures beyond the date of my opinion on the financial statements; accordingly, this letter is based on my knowledge as of that date and should be read with that understanding.

In those instances where the need for improvement of internal accounting controls may be indicated, I have satisfied myself by extension of audit tests and review that the indicated weaknesses have not had a significant effect upon the financial statements for the year ended June 30, 2005. Since the purpose of my audit was not to make an intensive study of the matters commented upon, additional investigation may be required before acting on my suggestions.

My suggestions deal exclusively with operational, accounting, and recordkeeping systems and procedures, and should not be regarded as a reflection on the integrity or capabilities of anyone in your organization.

I appreciate the cooperation and assistance I have received from the City's personnel in connection with my audit and in developing these recommendations.

This report is intended solely for the use of the management of Alpine City. However, this report is a matter of public record and its distribution is not limited.

I would be pleased to discuss any of these matters with you and your representatives at your convenience and, if desired, to assist you in implementing any of these suggestions.


Greg Ogden,
Certified Public Accountant

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

STATE COMPLIANCE FINDING

FINDING - ERROR IN BUILDING PERMIT REPORT

The City is required to remit to the State 0.8% of all building permit fees collected. These amounts are remitted with a report which is filed quarterly. One of the building permit reports filed during the year only included one month's fees instead of all the fees collected during the quarter.

RECOMMENDATION

This was obviously a one time error. You may want to print the detail for building permit fees for the quarter and compare it to each quarterly report.

RESPONSE - ALPINE CITY

The amount which was underpaid has since been paid. We will do as you suggest and print the detail of building permit fees each quarter.

COMPLIANCE FINDING

FINDING - 941 REPORT FILED LATE

The 941 payroll report for the quarter ending June 30, 2005 was filed late. The IRS is very strict about the filing dates for their payroll reports. You will likely be assessed a late fee.

RECOMMENDATION

Timely filing of payroll tax reports should be a priority. Since this was a rare occurrence, when you receive the penalty notice from the IRS, I recommend requesting a waiver of the penalty. They will generally grant waivers when it is a rare occurrence.

RESPONSE - ALPINE CITY

We will make the changes necessary to ensure that all future payroll tax reports are filed on time.

INTERNAL CONTROLS FINDING

FINDING - COUNCIL MEMBERS' UTILITY BILLS

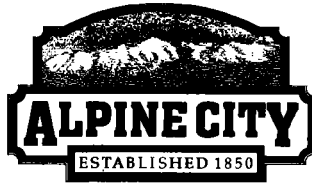
In testing to determine if there was any preferential treatment of City Council members' utility bills, I noted that some members of the Council were 60 to 90 days behind on their bills.

RECOMMENDATION

I encourage the City Council members to stay current on their utility bills so that no question of preferential treatment can be raised. I did not note that any Council member received preferential treatment.

RESPONSE - ALPINE CITY

Each of the City Council members who was behind on their utility bill has agreed to have future utility payments automatically deducted from their bank account.



February 10, 2006

Mr. MacRay A. Curtis, CPA
Director, Local Governments Division
Office of the State Auditor
PO Box 142310
Salt Lake City, Utah 84114-2310

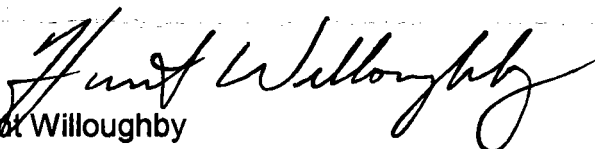
RE: Noncompliance

Dear Mr. Curtis:

Thank you for your letter of January 23, 2006 regarding Alpine City's failure to comply with State laws regarding fund balances. The problem will be corrected by amending the City Budget and transferring the General Fund balance that is in excess of the limitations to the Capital Improvement Fund. This corrective action will be handled by Ted Stillman the Alpine City Administrator. Alpine City will carefully monitor funds balances in the future to assure that this situation does not arise again.

Thank you for your assistance.

Sincerely,


Hunt Willoughby
Mayor

cc: Greg Ogden, CPA